84-1089

No.

Office-Supreme Court, U.S.
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ALEXANDER L. STEVAS,
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

NICK N. NOVICKY,

Petitioner,

vs.

SYNTEX OPHTHALMICS, INC. and ARAPAHOE CHEMICALS, INC. (now SYNTEX CHEMICALS, INC.),

Respondents.

NICK N. NOVICKY,

Petitioner,

vs.

GEORGE F. TSUETAKI and FUSED KONTACTS OF CHICAGO, INC.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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37pp

QUESTIONS PRESENTED

1. Did not the Federal Circuit err in giving a preclusive effect to a state trial court judgment later reversed by a state appellate court where:

(a) the Illinois Appellate Court found that the state trial court judgment could not stand because it was procured through "fraud" and "unconscionable behavior", thus requiring that the state trial court judgment be vacated and the case retried;

(b) the Federal Circuit, notwithstanding the reversal by the Illinois Appellate Court, accorded that state trial court judgment a collateral estoppel effect; and,

(c) the effect of the Federal Circuit decision is to prevent petitioner from availing himself of a right to prove

title to certain patents in issue which was assured to him by the decision of the Illinois Appellate Court?

2. Should not the federal courts have abstained from exercising jurisdiction in this case until the state case is resolved where:

(a) the exercise of federal jurisdiction deprives petitioner of a right he was given by a state court;

(b) the federal forum has no jurisdiction over all parties which the state appellate court held were necessary for a complete resolution of all the issues; and

(c) the federal courts' exercise of jurisdiction is likely to result in different dispositions of title to the same patents, one by the federal courts and an inconsistent one by the state courts?

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PETITIONER'S RULE 28 STATEMENT

Petitioner Nick N. Novicky, an individual, has no corporate affiliations.

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Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Petitioner respectfully prays that a writ

of certiorari issue to review the judgment of the United States Court of Appeals for the Federal Circuit in its cause Nos. 84-838 and 84-857. The judgment was entered on October 3, 1984.

OPINIONS BELOW

The opinion of the Court of Appeals has not yet been officially reported; it is reproduced in the appendix hereto starting at 1a. The conflicting Illinois Appellate Court opinion is reproduced in the appendix starting at 53a.

JURISDICTION

The judgment for which this Court's review is sought was entered October 3, 1984. This Court has jurisdiction by virtue of 28 U.S.C. §1254(1).

THE CONSTITUTIONAL PROVISION INVOLVED

U.S. Constitution, Amendment V

"No person shall...be deprived of life, liberty or property, without due process of law...."

STATEMENT OF THE CASE

This proceeding was commenced in the Circuit Court of Cook County in Chicago on a complaint filed by Fused Kontacts of Chicago, Inc. and its president George F. Tsuetaki (hereinafter collectively referred to as "Tsuetaki") against his former employee Nick N. Novicky for breach of contract and misappropriation of trade secrets.

Novicky is a chemist, having been awarded his Masters degree in this country, following receipt of his bachelors degree from his native Czechoslovakia in 1963. He holds six patents.

A few months after Tsuetaki brought his state court action, Syntex Ophthalmics, Inc. and Arapahoe Chemicals, Inc. (hereinafter collectively referred to as "Syntex") brought an action in federal court in Chicago, alleging both misappropriation of trade secrets and patent infringement against both Novicky and Tsuetaki. Tsuetaki was thus in the position of asserting trade secret protection

in the state litigation, while denying the existence of such protection in the federal litigation. Both Tsuetaki and Syntex have taken different and inconsistent positions in the two courts, leading to irreconcilable conflicts between the state and federal courts, requiring this Court's intervention.

In so demonstrating, we ask this Court's indulgence to consider the following history of the controversies.

A. The Background Facts.

Syntex, in early 1977, purchased technology which formed the basis for its business of making and selling gas-permeable contact lenses called "Polycon" -- lenses which are permeable to oxygen and hence allow oxygen from the air to pass through the lenses and contact the cornea. That allows such lenses to be worn for longer periods of time as compared to contact lenses available before.

The contact lenses in question are made from two chemical materials, one of which is

a silicon-containing compound known as a "silicone monomer". Those chemicals or their use together to form clear plastics were not new. In fact, it is because of Syntex' fragile patent position that it has invested millions of dollars in fighting Novicky as a lone inventor.

Novicky went to work for Syntex in 1973 as a chemist. When Syntex set up its Polycon contact lens project in early 1977, Novicky was transferred to that project, optimizing the procedures by which Syntex' lenses were made. Novicky's procedures, called "batch sheets", were discarded by Syntex before this litigation ever began.

Novicky's work on the project quickly led to problems. Tiring of the tedious task of running chemical reactions over and over for the Food and Drug Administration, Novicky wandered from his assigned task to develop new and better chemicals for use in making

such lenses. Novicky's boss soon ordered him to stop until FDA approval for the planned lens was in hand. Frustrated over his plight and Syntex' contention that Novicky, having only a Masters degree and not a Ph.D, was not qualified to do such basic research, Novicky, on May 12, 1978, was forced to resign.

B. Novicky's Connection with Tsuetaki.

Novicky, after leaving Syntex, set out to prove that Syntex was wrong; he conceived of a new silicone monomer, later called S-9. With that in hand, Novicky contracted with Tsuetaki, whereby Novicky was hired to develop his new product and he, in turn, assigned his rights therein to Tsuetaki.

Enter Syntex' problem. Novicky's new monomer was not only better than the monomer of Syntex, so too it was beyond the reach of Syntex' patents!

Within a few months of signing their agreement, Novicky began his development of a

product that became known as the "GN-1" lens marketed by Tsuetaki. Tsuetaki first sold his new product outside the United States. Because the lens was far superior to that sold by Syntex, Tsuetaki's sales began to flourish. At the same time however, Tsuetaki became greedy; Novicky was no longer permitted to do the development work he was hired for. Instead he was asked to produce more and more material for Tsuetaki to sell. Finally, Novicky couldn't produce enough material to keep Tsuetaki happy.

Novicky, experiencing the same kind of problem he had had at Syntex, resigned in June of 1980.*

C. The State Court Litigation.

Shortly after Novicky left, Tsuetaki brought suit in the Circuit Court of Cook

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* At first, Tsuetaki tried to placate Novicky, paying him additional money to supervise Tsuetaki's application for FDA approval. Just before Novicky resigned, Tsuetaki agreed to pay Novicky $1.00 royalty per rod of material produced in return for Novicky's changing roles from a research chemist to a production chemist.

County for alleged breach of the employment agreement. Among other things, Tsuetaki sought an order directing Novicky to assign to him title to certain patent applications Novicky had filed in his name as the inventor.

Novicky denied Tsuetaki's charges, alleging that the August, 1978 agreement between them had been modified by further written agreements. Novicky also counterclaimed for breach of contract on the part of Tsuetaki.

At the trial of the state court action, Tsuetaki disavowed every one of the supplemental agreements that he had signed, contending that each had been coerced by reason of Novicky's alleged slowdown of production so that Tsuetaki could not fill his orders. Even though the technology relating to the GN-1 material had been disclosed to the world in Novicky's '303 patent, Tsuetaki argued also that such technology represented trade secrets which he owned. Following a trial on the merits, the Circuit

Court ruled that Novicky had breached his employment agreement. Among other things, the Circuit Court entered an injunction enjoining Novicky from:

> "...disclosing to any person... technology involved in the manufacture of contact lenses including, but not limited to, those which could, would or did lead to the filing of applications for letters patent."

The Circuit Court also ordered Novicky to repay the monies paid him for his work on the FDA file; it voided ab initio the $1 per rod agreement.

During the trial of the state court action, Syntex sought to monitor the proceedings to determine if its trade secret rights were involved. Both counsel for Tsuetaki and counsel for Novicky objected; their protests soon became moot. On November 21, 1980, Syntex filed suit in the United States District Court for the Northern District of Illinois, naming both Tsuetaki and Novicky as defendants.

D. The Syntex Complaint.

The original complaint filed by Syntex

(Civil Action No. 80 C 6257) alleged that Novicky learned of Syntex' trade secrets while working on its Polycon project, and then wrongfully transmitted those trade secrets to Tsuetaki. Its complaint was later amended to include not only the same cause of action for misappropriation of trade secrets, but also an allegation that both Novicky and Tsuetaki had infringed Novicky's '303 patent which Syntex pleaded that it owned.

E. The Post-Judgment Events In The Circuit Court.

After Syntex' federal action was filed in November of 1980 and after the Circuit Court had entered its judgment in the state case, Novicky, responding to a document request in the federal action, turned over some of his documents to Syntex' counsel, a move which Tsuetaki interpreted as a violation of the Circuit Court's injunction. Tsuetaki then moved before the Circuit Court to hold Novicky in contempt.

Not only did Novicky respond to Tsuetaki's petition in the state court, but so did Syntex. As a result, Tsuetaki filed a supplemental complaint in the state court action, seeking in new Count V declaratory judgment against both Syntex and Novicky and asking the Circuit Court to declare that its January 13, 1981 judgment applied to Syntex as well as Novicky.

On July 10, 1981, the Circuit Court granted Tsuetaki's motion to add Syntex as a party, holding that a special appearance Syntex had filed was, in reality, a general appearance. At the same time, it denied Novicky's motion for a new trial.

Next came two events of critical importance. Four days after the Circuit Court's order of July 10, 1981 adding Syntex as a party, Novicky filed a notice of appeal to the Appellate Court of Illinois, First District, seeking review of the Circuit Court's order of January 13, 1981, granting judgment to

Tsuetaki, and also the Circuit Court's order of July 10, 1981, denying Novicky's motion for a new trial.

Three days after Novicky filed his notice of appeal, Syntex filed a removal petition, purportedly removing the Circuit Court action to federal court in Chicago. Unaccountably, that removal petition was not filed in the Illinois Appellate Court where the case was pending; it was filed in the Circuit Court after Novicky's notice of appeal had already transferred the case to the Illinois Appellate Court. (That "removed" action was assigned Civil Action No. 81 C 4050 in the District Court.)

F. The Disposition Of Novicky's Appeal.

In the meantime, Novicky filed a petition under §72 of the Illinois Civil Practice Act, asking that the judgment of the Circuit Court be vacated on the basis of newly-discovered evidence. The new evidence which Novicky referred to the Circuit Court included discovery

taken by Syntex in its original federal action, 80 C 6257, showing that Tsuetaki and his comptroller testied untruthfully in the Circuit Court by saying that the supplemental agreements entered into by Tsuetaki and Novicky had been coerced. Thus, the new evidence established that the very cornerstone of Tsuetaki's case against Novicky was grounded on perjury.

The Circuit Court dismissed Novicky's petition; Novicky also appealed that order. His appeals were consolidated and argued before the Illinois Appellate Court. On December 7, 1983, the Appellate Court reversed the Circuit Court's decision in its entirety, holding that Tsuetaki and his comptroller had committed "fraud" and were guilty of "unconscionable behavior" in giving "apparently false testimony". The Illinois Appellate Court held also that Syntex was an indispensible party to the controversy, and remanded the case to

the Circuit Court for a new trial.

On December 28, 1983, Tsuetaki filed a petition for rehearing, asking the Illinois Appellate Court to vacate its decision and dismiss Novicky's appeals, on the theory that Syntex' removal petition, filed three days after Novicky's notice of appeal, had divested the Appellate Court of jurisdiction.*

G. The Federal Court Proceedings.

After Syntex filed its petition purporting to remove the Circuit Court action, Tsuetaki moved to remand. That motion was denied by the District Court on March 24, 1982 -- after Novicky's opening brief had been filed in the state court appeal. Even though Novicky had, on appeal, the Circuit Court's January 13, 1981 order, the District Court ruled that Novicky "had no claim or interest remaining" in the technology at issue, and thus his pre-

* Tsuetaki's petition for rehearing was filed pro se, although it was obviously the work of Syntex' lawyers. Syntex followed up with its own petition for rehearing. Tsuetaki's petition for rehearing is still pending before the Illinois Appellate Court.

sence as a co-defendant did not destroy diversity in Tsuetaki's state action against Syntex. The District Court then consolidated, for all purposes, the removed action, 81 C 4050, with the original action, 80 C 6257, under the caption of the latter.

In due course, the District Court, on May 6, 1982, granted Syntex a preliminary injunction -- without ever holding an evidentiary hearing to determine the disputed factual issues. That preliminary injunction was affirmed by the Court of Appeals (Syntex Ophthalmics, Inc. v. Tsuetaki (7 Cir., 1983), 701 F.2d 677).*

* The preliminary injunction granted Novicky the right to use publicly-available information, so long as it was authorized by the District Court. Novicky did successfully avail himsel of that limited remedy -- only after battling with Syntex for months at untold expense. The arguments Syntex advanced against Novicky's efforts to use publicly-available information strained belief. Novicky argued that he was entitled to use a chemcal process of an old Russian publication. Syntex argued the contrary, contending that Novicky had translated that publication while he was a Syntex employee, and was barred from using that process because he made a translation the publication describing it.

H. The District Court's Disposition Of Novicky's Counterclaims.

While working for Syntex, Novicky, in violation of his boss' orders not to conduct research on new silicone monomers, contemplated some additional monomers for use in making gas-permeable contact lenses. After he left Syntex, Novicky invented new silicone monomers, ultimately patenting those monomers in his '483 and '989 "private" patents involved in the state court litigation.

Because Syntex had claimed title to those monomers, Novicky, by way of a counterclaim filed in August of 1982, averred that Syntex had committed fraud and was seeking unjust enrichment in arguing that it held title to those private patents.

Novicky's counterclaim was dismissed by the District Court on the ground of collateral estoppel arising from the Circuit Court judgment -- then on appeal. The District Court was, of course, unaware that Tsuetaki's judg-

ment against Novicky, giving rise to the estoppel, had been secured through "fraud" and "unconscionable behavior". In the view of the District Court, the Circuit Court judgment established Syntex as the owner of all of Novicky's patents, leaving Novicky with no standing to litigate with Syntex respecting Novicky's rights to those patents.

I. The District Court's Disposition Of The Title Issue On Summary Judgment.

On the eve of trial of the federal case, Syntex and Tsuetaki settled the controversy between them. Relying on the settlement agreement between Syntex and Tsuetaki, Syntex moved for summary judgment, assuring the court that Tsuetaki was to assign to Syntex all of his rights in the Novicky patents and applications involved in the case, specifically including the '303, '483 and the '989 patents. Syntex argued that, by reason of its agreement with Tsuetaki, it owned what Tsuetaki formerly owned and that Novicky was collaterally estopped by

the state court judgment from denying Tsuetaki's title.

The District Court adopted Syntex' arguments, granting its motion for summary judgment -- all without ever permitting Novicky or his counsel to see the mysterious settlement agreement.*

J. The Trial Of The District Court Action.

Having disposed of the title issue on summary judgment, the District Court set the remaining phase of the case -- Syntex' claim for misappropriation of trade secrets -- for trial in June of 1983, Novicky acting pro se. The District Court, on December 12, 1983, ruled that Syntex had invested twenty man-years in its Polycon project, and entered an order prohibiting Novicky from using Syntex' alleged

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* Because the settlement agreement was the cornerstone of Syntex' motion for summary judgment, Novicky asked to see the agreement on which the Syntex motion was based. Unaccountably, the District Court refused to order Syntex to produce that agreement even though its motion for summary judgment was based directly on it.

trade secrets for twenty years from the date he left Syntex' employ. The injunction also barred Novicky from using or disclosing information contained in Syntex' "batch sheets" which were "not found in public domain documents".

The injunction also barred Novicky from using his own S-9 monomer with "any of the reaction steps, specific reaction conditions, procedures, preparatory steps or reagents" -- without ever hearing a word of evidence on the issue of whether Novicky had conceived those monomers while he was a Syntex employee (and hence Syntex might arguably have rights to them), or after he left Syntex' employ (when Syntex would have no rights to them at all).*

K. The Decision Of The Federal Circuit.

Novicky took his appeal to the Court of

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* The District Court was aware, at the time of its decision, that the state court judgment on which it had based collateral estoppel had been reversed; unaccountably, it refused to vacate its earlier rulings based on estoppel.

Appeals for the Federal Circuit. On October 3, 1984, the Federal Circuit, in large measure, reversed the decision of the District Court. It reversed the injunction out of hand, finding that it was "clear error and an abuse of discretion" to extend the injunction for twenty years. The Federal Circuit remanded the case to determine the proper scope of any injunction entered afer remand.

To its credit, the Federal Circuit rejected Syntex' argument that the Illinois Appellate Court had no jurisdiction; it reasoned that Novicky's notice of appeal, filed before the removal petition, divested the Circuit Court of jurisdiction as to Counts I-IV and hence the District Court, on filing of the removal petition, acquired no jurisdiction over Counts I-IV.*

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* The Federal Circuit's conclusion that only Count V was removed is dead wrong! In denying Novicky's motion to remand filed after the District Court's decision on the merits (but before final judgment), the District Court itself referred to Syntex having "removed the <u>entire action</u> to this court...."

The Federal Circuit ruled that no collateral estoppel could arise from that part of the state court judgment which was reversed, namely the '487 and '989 "private" patents. Even though the Illinois Appellate Court reversed the entire judgment entered by the Circuit Court and remanded the entire case for a new trial, the Federal Circuit gave the now defunct Circuit Court judgment a collateral estoppel effect with respect to the remaining patents.*

The practical effect of that ruling was to deny Novicky a hearing as to the issue of ownership of the patents here involved -- and to force him to once again litigate the same issues in two different forums. He would have obtained that hearing in the Circuit Court, once the case is remanded for the new

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* That conclusion was apparently based on a casual remark in the Illinois Appellate Court's decision that, as to some of the applications filed by Novicky, he "agrees" that they belong to Tsuetaki.

trial as ordered by the Appellate Court. However, because of the collateral estoppel effect erroneously given that judgment by the Federal Circuit, Novicky is once again denied that hearing; and the Federal Circuit and the Illinois Appellate Court are in a head-to-head conflict.

REASONS FOR GRANTING THE WRIT

Rarely has this Court, we are sure, seen a case in shambles as is the case here. This Court must intervene in this case to stop, once and for all, a shocking miscarriage of justice. Novicky -- an individual with limited resources -- has been deprived by the Federal Circuit of his property without due process of law by reason of wrongful federal interference with the state courts, as will now be shown.

A. Novicky Has Been Deprived Of Property Without Due Process Of Law By The Federal Circuit's Finding That The State Court Judgment Is Entitled To A Preclusive Effect.

The fundamental error committed by the Federal Circuit was its finding that the Circuit Court judgment, reversed by the Illinois

Appellate Court, was entitled to even a limited preclusive effect respecting title to four of Novicky's patents in issue.

In its present posture, Syntex was awarded title to the '303 and several other Novicky patents -- without Novicky ever having had an opportunity to present to any court his position on why he is the owner of those patents. The closest opportunity he had was in the state court, but the adverse judgment entered against him there was procured through "fraud" and "unconscionable behavior". Remember: Novicky's counterclaim against Tsuetaki for breach of contract has been reinstated by the Illinois Appellate Court's decision. If Novicky can prevail on that counterclaim, he can establish, as against Tsuetaki (from whom Syntex derives its only rights), that Novicky has title to the patents in issue.

In other words, the decision of the Illinois Appellate Court <u>vacating</u> the state court

judgment reopens the question of whether Novicky was obligated to reassign the '303 patent and others to Tsuetaki, and consequently reopens the very judgment given a preclusive effect by the Federal Circuit.

By giving a collateral estoppel effect to any part of the now defunct state court judgment, the Federal Circuit has effectively deprived Novicky of his right to establish title to the patents in issue and has also deprived Novicky of the relief he secured in the Illinois Appellate Court from a judgment procured through "fraud" and "unconscionable behavior".

In sum, the Federal Circuit, by depriving Novicky of an opportunity to present his claim for title to the patents in dispute, conflicts directly with the ruling of the Illinois Appellate Court that Novicky is entitled to a new trial.

The decision of the Federal Circuit amounts to a denial of due process and improper inter-

ference with the Illinois courts.

B. Due Process Demands That The Federal Courts Abstain Until After The State Court Has Acted.

Wholly apart from the denial of due process created by the Federal Circuit's granting of the defunct state court judgment a preclusive effect, the "abstention" doctrine is constitutionally mandated here to prevent wrongful federal interference by the federal courts with the work of the Illinois state courts.

We recognize the oft-stated rule that "the pendency of an action in the state court is no bar to a proceeding concerning the same matter in the Federal Court having jurisdiction" (McClellan v. Carland (1910), 217 U.S. 268). As this Court noted, in Colorado River Water Conservation District v. United States (1976), 424 U.S. 800, 817:

> "This difference in general approach between state-federal concurrent jurisdiction and wholly federal concurrent jurisdiction stems from the virtually unflagging obligation of the federal courts to exercise the jurisdiction given them."

This Court went on to say, in Colorado River (at p. 818):

> "Given this obligation, and the absence of weightier considerations of constitutional adjudication and state-federal relations, the circumstances permitting the dismissal of a federal suit due to the presence of a concurrent state proceeding for reasons of wise judicial administration are considerably more limited than the circumstances appropriate for abstention."

The factors bearing on application of the abstention doctrine are varied. As this Court said, in Colorado River (at p. 818):

> "No one factor is necessarily determinative; a carefully considered judgment taking into account both the obligation to exercise jurisdiction and the combination of factors counselling against that exercise is required."

Such factors include the inconvenience of the federal forum (Gulf Oil v. Gilbert (1947), 330 U.S. 501), the desirability of avoiding piecemeal litigation (Brillhart v. Excess Insurance Co. (1942), 316 U.S. 491)

and the order in which jurisdiction was obtained by the concurrent forums (Pacific Live Stock Co. v. Oregon Water Board (1916), 241 U.S. 440).

In this case, all of the factors point to abstention by the federal courts. Here, it was the Circuit Court which first assumed jurisdiction, and that court may exercise that jurisdiction to the exclusion of other courts (Donovan v. City of Dallas (1964), 377 U.S. 408; Princess Lida v. Thompson (1939), 305 U.S. 456).

Here also, the federal forum is not only inconvenient, it is inappropriate. Tsuetaki is not a party to the federal litigation by reason of the settlement he reached with Syntex. Because Novicky still has claims against Tsuetaki which have yet to be resolved, the controversy between Tsuetaki and Novicky can only be resolved in state court where both are parties. Syntex is already a party to

the state court action, and indeed its very presence as a party was mandated by the Illinois Appellate Court to insure that the Circuit Court had jurisdiction to make a full resolution of the controversy pending there.

Apart from the bare fact that the federal court has jurisdiction, there is no reason, in this case, for the federal court to proceed with its adjudication of the controversy. The issue among the parties is title to certain patents - a purely state matter having no federal interest whatsoever.* Novicky has suffered enough economically by having to defend two separate cases, one in the federal court and one in the state court. For the first time, Novicky has the opportunity to have the rights of all three claimants to title to the patent heard in the same case in the same forum. As this Court noted, in Colorado River (424 U.S. at 819):

* It will be settled that questions of patent title do not arise under any act of Congress (Beghin-Say International Inc. v. Ole-Bendt Rasmussen (Fed.Cir., 1984), 733 F.2d 1568).

> "This policy is akin to that underlying the rule requiring that jurisdiction be yielded to the court first acquiring control of property, for the concern in such instances is with avoiding the generation of additional litigation through permitting inconsistent dispositions of property."

That admonition applies here with redoubled emphasis. The Federal Circuit has already awarded title to the patents in issue to Syntex without ever hearing Novicky's side of the story, while the Illinois courts will, under the mandate of the Illinois Appellate Court, allow Novicky to prove his case that he has title.

In short, judicial economy as well as reason compel the application of abstention here to avoid a federal judicial decision giving a preclusive effect to a judgment which Illinois courts have held cannot stand.

CONCLUSION

No case warrants this Court's attention more than this one. Petitioner prays, most

respectfully, that the writ of certiorari be issued.

Respectfully submitted,

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